



ASX Release Quarterly Report For the period ending 30 September 2019

30 October 2019

KEYTONE DAIRY QUARTERLY REPORT

Keytone Dairy Corporation Ltd (ASX:KTD) (“Keytone Dairy” or the “Company”) is pleased to provide the following update on its activities and lodge the Appendix 4C Cash Flow Statement for the quarter ending 30 September 2019. Keytone Dairy operates on a 31 March 2020 financial year and consequently, the 30 September 2019 quarter was the second quarter of its financial year 2020 (“FY20”).

Releasing the update to the market, Danny Rotman, Keytone Dairy’s Chief Executive Officer, commented: “The second quarter for the FY20 year was a record quarter in the history of Keytone Dairy, both in New Zealand and Australia. The acquisition of Omniblend, a step change in the development of Keytone, was completed on 31 July 2019 and as such only 2 months of Omniblend’s financial results are included in the quarterly consolidated results of the group.”

“The construction and installation of the new manufacturing facility in New Zealand has now been completed and has moved into the licensing phase being the final phase prior to commissioning. The results of the second quarter have been achieved with no additional capacity yet online in New Zealand.”

“Our distribution channels have been broadened to include RT-Mart in China. We have commenced our relationship with, and received significant initial orders from, Walmart China. We have also secured ranging for our first proprietary ready to drink product range, ‘Tonik’, with an initial footprint of over 400 stores in the EzyMart and Metro Petroleum networks nationally around Australia.”

“During the quarter, the Company announced the acquisition of the Super Cubes business, an Australian consumer lifestyle health and wellness brand with a significant national distribution footprint, including Woolworths, and an impressive run rate. This is a highly strategic acquisition, adding further proprietary brands to the Company’s product suite and the addition of a senior and well-credentialed sales team in the proprietary branded space.”

“Keytone is in an exciting growth phase and executing on many of our strategic objectives while continuing to push into high value, high margin proprietary brands. We look forward to continuing to update the market on these developments.”

Financial Highlights

The second quarter for FY20, being the period from 1 July 2019 to 30 September 2019, recorded a substantial increase in total sales revenues and cash inflows from customers compared with both the corresponding quarter of the FY19 year and the first quarter of FY20. The results in the second quarter continue to lay the foundations for the success of the Company ahead of the new manufacturing facility in New Zealand coming online and the integration of the existing powder manufacturing facilities of Omniblend at one centralised site. These record results were achieved notwithstanding the fact that the Company is currently unable to take advantage of the additional in-house manufacturing capacity that is now complete in New Zealand, however not yet licensed and commissioned, and despite **only 2 months of consolidated results from the Omniblend business being incorporated**, as the acquisition completed on 31 July 2019, being 1 month into the quarter.

The financial performance highlights for second quarter (1 July 2019 to 30 September 2019) include:

- Total sales revenue **increased to approximately \$A5.9 million, being 569%** of the prior corresponding period's revenue of \$A1.0 million realised in the second quarter of FY19 (1 July 2018 to 30 September 2018)
- Total sales revenue for the quarter was **392% of the recorded result of the prior quarter's revenue of \$A1.5 million** for the quarter ending 30 June 2019
- Total customer cash receipts increased to **\$A6.5 million, being 451%** of the prior quarter's cash receipts of \$A1.4m
- Sales and cash receipts consolidate only two months of performance of Omniblend
- Net cash outflow from operating activities of \$A1.4 million in the quarter is in line with the prior quarter's result and is driven by one-off integration costs between Omniblend's powder manufacturing sites (ultimately leading to operation synergies, economies of scale and capability enhancements), scaling up costs in New Zealand ahead of the new facility being commissioned and significant one-off costs with regard to the acquisition of Omniblend and separately to the acquisition of the assets of 40 Forty Foods Pty Limited ("Super Cubes")
- The cash outflows from investing activities for the quarter were \$A9.3 million, being a \$A8.0 million cash purchase price component to the vendors of Omniblend and \$A1.2 million for purchases of plant and equipment for the now completed additional manufacturing facility in New Zealand; the cash outflows related to plant and equipment are in-line with the capital expenditure budget
- The cash inflows from financing activities relate to the \$A18.0 million raised from the successful and oversubscribed capital raise from new and existing shareholders for the acquisition of Omniblend, funding the cash component of the acquisition (as per the above) less \$A1.0 million in equity raising related transaction costs and the repayment of \$A3.7 million Omniblend debt following the completion of the acquisition
- As at 30 September 2019, Keytone Dairy had a combined cash balance of \$10,123,351, outlined in the accompanying Appendix 4C.

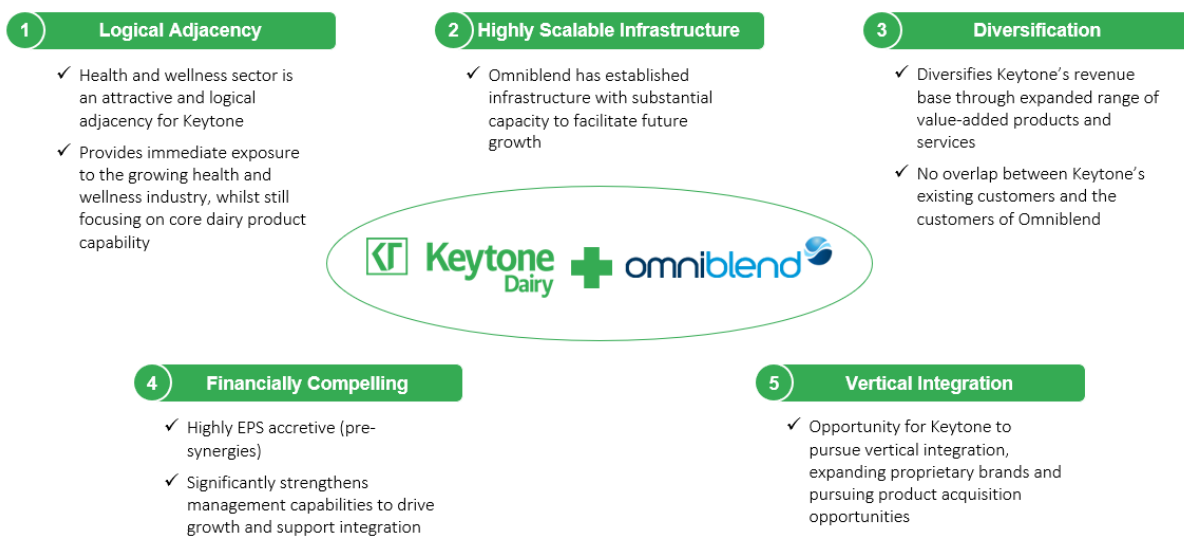
Successful Completion of A\$18.0m capital raise and Omniblend Acquisition

During the quarter Keytone successfully completed the oversubscribed raise of A\$18.0 million via a placement to institutional and sophisticated investors and a share purchase plan from existing and eligible shareholders of the Company.

Omniblend is a profitable and leading Australian-based product developer and contract manufacturer of high value, formulated, blended powder products and long-life UHT drinks, specialising in the health and wellness sector. Omniblend currently employs 84 full-time employees operating across four sites in Melbourne, Victoria. In addition to its current third-party manufacturing business, Omniblend creates formulations for its clients as well as for its own proprietary products, including its first proprietary ready-to-drink range, Tonik. Omniblend holds numerous accreditations including CNCA, Dairy Food Safety Victoria, Australian Certified Organic, British Retail Consortium (AA Grade) and Halal certified.



The strategic rationale of the acquisition of Omniblend is as follows:



Completion of the Omniblend acquisition has been executed in line with Keytone's stated 4-pillar growth strategy, significantly expanding the Company's manufacturing capacity. Adding Omniblend's four Australian manufacturing sites to Keytone's existing sites results in a significant and established infrastructure through which Keytone can leverage high-margin, proprietary brand sales.

Acquisition of Super Cubes

Keytone announced the acquisition of 100% of Super Cubes, a premier Australian consumer lifestyle health and wellness brand, through the second quarter. The acquisition completed subsequent to quarter end and as such, the financials of Super Cubes are not reflected in the performance of the Company during the quarter. Super Cubes will be fully consolidated into the financial results from 17 October 2019 onwards.

Super Cubes has a strong core proprietary product range and a growing national distribution network, including national ranging in Woolworths, 400 independent supermarkets, and an increasing online presence with over 20,000 unique visits to the Super Cubes website each month. Super Cubes has also recently secured national distribution with the Global by Nature (GBN) network, providing access to in excess of 1,000 retailers for the new wholefoods series of bars, bites and meal replacement powders. Super Cubes is a brand owner manufacturing high value, high margin proprietary products.

In FY19, Super Cubes first full 12 months of trading, the business realised sales of approximately A\$650,000 with significant distribution and sales only achieved in the final quarter of FY19, implying sales an order of magnitude higher on an annualised run rate basis. Growing month-on-month and with new innovative product being continually developed, Super Cubes received an opening order for its wholefood bars range of more than A\$165,000 to be rolled out to national health food stores and other retailers from October 2019.





Selected product examples of Keytone's Super Cubes Wholefoods Bar Range

Keytone believes the acquisition of Super Cubes is highly strategic with strong financial rationale and in-line with the Company's stated growth strategy. Further it substantially fast-tracks the Company's key strategic priority of developing its own high value, high margin proprietary product suite.

The strategic highlights of the acquisition include:

✓ **Health Halo Brand**

- Strong, fast-growing health and wellness brand
- Ability to leverage unique product offering into international markets, including South East Asia and China
- Uncompromising first-class health credentials and ingredients, including 5-star health rating

✓ **Established Distribution Channels**

- Four established channels to market, including:
 1. Independent Grocery – ranged in 400 independent groceries nationally
 2. Major Grocery – national ranging in Woolworths
 3. Super Cubes website – 20,000 unique visits to the website per month and growing
 4. Global by Nature Distribution – providing access to over 1000 retailers nationally
- Existing strategic channels grow brand equity and brand awareness while simultaneously driving social media following
- New distribution channels and ranging over short to medium term:
 1. Petrol & Convenience – range review meetings scheduled for Q4 2019 calendar year
 2. Pharmacy – range reviews meetings scheduled for Q4 2019 calendar year
- Ability to leverage Keytone's existing distribution channels for growth in core markets, including China



✓ **Innovative Product Range**

- Core Super Cubes smoothies range established and growing
- Introduction of 'permissible indulgence' smoothie range being rolled out nationally
- Innovative Super Tubes (Icy Poles) and Super Cubes Wholefoods Bars range being rolled out to existing distribution channels through Q4 2019 calendar year providing significant growth and upside
- Innovative new product pipeline to be commercialised through 2020 and beyond

✓ **Expertise**

- Ashley McMillan has more than 12 years' experience in significantly growing branded products in the health and wellness sector
- Proven sales capability and track record with established brand and national distribution expertise
- Highly complementary team to drive Keytone's strategic priority of growing high value, higher margin proprietary product suite

✓ **Manufacturing Upside**

- Omniblend will look to bring the manufacture of certain Super Cubes product lines in-house over time, providing additional margin accretion in the medium term



Capacity Expansion and Integration

New Zealand Facility Update

Through the second quarter of the FY2020 year, Keytone Dairy continued to operate its existing manufacturing facility in New Zealand with a manufacturing capacity of 1,500 tonnes per annum. This quarter has seen the completion of the construction and installation of the new and second purpose-built manufacturing facility in New Zealand. The facility has moved into the licensing phase with the New Zealand of Ministry of Primary Industries, Risk Management Program, being the final phase prior to commissioning.

The additional capability from the second manufacturing facility will take Keytone Dairy's total name plate formulated powdered product manufacturing capacity to 5,000 tonnes per annum, from the existing 1,500 tonnes per annum today, on a one shift basis. Once the licensing and commissioning phase is complete, Keytone Dairy will be able to manufacture significantly higher volumes of finished product more efficiently across a broader range of the Company's proprietary product suite, and realign the sales mix towards higher value proprietary products, with a view to substantially growing sales.





Installed plant and equipment for the new purpose-built Keytone Dairy manufacturing facility in New Zealand

The second facility has been constructed to comply with the highest food grade standards, is infant formula capable, and has been commissioned with highly automated plant and equipment. Such equipment includes a canning line in multiple pack sizes, a sachet line in multiple pack formats and ancillary automated manufacturing equipment. Once licensed and commissioned, it will incorporate technology which is a first of its kind in New Zealand.

Integration of Omniblend Powder Manufacturing Sites on Schedule

Integration of Omniblend’s two principal powder manufacturing sites within Australia is progressing ahead of schedule as the sites are combined to form one large-scale purpose-built nutritional powder manufacturing facility. The site will offer critical mass and scale, housing eight flexible hygienic packing rooms across multiple pack formats servicing Omniblend’s leading customer base including Bellamy’s Organic, Optislim, Carman’s and Aldi.



Omniblend powdered nutritional facility at Mordialloc, Melbourne

The build process of the new hygienic packing rooms is near finished and ahead of schedule, while the build for the new product development lab is due to be completed in the coming weeks. Once construction of these rooms are complete, the relocation of each packing room and the plant and equipment from Campbellfield to the Omniblend headquarters in Mordialloc will be undertaken in a



sequential manner. This scheduling has been methodically planned to minimise disruption to the day-to-day operations of the business and cause no disruptions to delivery and production schedules for clients.

The integration into one site will lead to significant annualised operational synergies and capability enhancements for the Company.

Proprietary Product Development and Distribution

Over the quarter, Keytone Dairy has secured further distribution and ranging both in China and domestically for all its proprietary brands, including KeyDairy powdered milk into China and Tonik functional lifestyle beverages throughout Australia.

In July 2019, Keytone Dairy signed a listing agreement with RT-Mart China for Keytone Dairy proprietary products to be sold by RT-Mart, both online and in physical hypermarkets in China. RT-Mart is part of the Sun Art Retail Group Limited, a leading hypermarket operator with 484 hypermarket complexes in 233 cities in China, and a 16% market share in retail sales value.



An RT-Mart Hypermarket in China



The Company achieved Australian national distribution with Ezy Mart convenience stores for its proprietary brand, Tonik functional lifestyle beverages. EzyMart currently has over 200 locations throughout New South Wales, Queensland, Victoria and South Australia. EzyMart ranging builds upon the national ranging of Tonik products in Metro Petroleum stations, which was announced in Q1 FY2020. Metro Petroleum currently has 224 sites nationally.



Tonik Infused Proprietary Range, manufactured in-house at Omniblend

Throughout the quarter, the formulation, product sampling and market analysis for the introduction of the next range and generation of Tonik, Tonik Active, has been undertaken in preparation for the new product launch. Tonik Active, functional protein ready-to-drink shakes, targeted at the health-conscious consumer will be launched to market by financial year end, being March 2020.



The Company's soon to be launched Tonik Active Protein Shakes Range



Private Label Clients

As previously announced, Keytone received opening orders from Walmart (China) Investment Co., Ltd (“Walmart China”) to manufacture whole and skim milk powder for Sam’s Club West, Inc. (China) (“Sam’s Club China”) through the second quarter of FY20. Within two weeks of receiving the initial order, Keytone received a second follow-up order for Sam’s Club China private label milk powders. The second order was magnitudes higher than the first order and the value of the combined first two orders from Walmart China total approximately NZD1.0 million.

The value of the orders received during September 2019 from Walmart China alone represents approximately 40% of Keytone’s revenue across the entire group for the prior full financial year, being the 2019 financial year ended 31 March 2019.



Sam’s Club product label for Whole (Formulated) Powder and Skim Milk Powder manufactured by Keytone Dairy

Keytone further diversified its private label client base in China securing a relationship with Nouriz (Shanghai) Fine Food Co Ltd (“Nouriz”), a related party of China Animal Husbandry Group, a China State Owned Enterprise. Nouriz was founded in New Zealand in 2006 focusing on providing high quality food imports to China. Nouriz’s products are customised for Chinese consumers and offer consistent quality to premium New Zealand foods and nutritional products for the whole family. Keytone Dairy received a first order from Nouriz for 19 tonnes of Nouriz private label 1kg Whole Milk Powder and Skim Milk Powder during the quarter.

Omniblend has commercialised and completed opening orders with multiple leading domestic and international health and wellness brands whom have been on-boarded as new clients through the period, including:

- the roll-out of a new product range for Endota Spa, the largest network of its kind in Australia; and
- the development of a new range of ready to drink protein products across 8 individual products in 2 different product ranges for a leading protein brand.

The Company will continue to nurture and work closely with these new clients to grow volumes nationally and drive new product development initiatives. Additionally, there remains a focus on the



Company's robust business development program in securing new private label clients and building sales volumes with existing and long-standing clients. Throughout the quarter significant work has been undertaken in developing new client relationships and the conversion to sales is growing as evidenced from the above and subsequent announcements to market, such as that made on 28 October 2019 for opening orders for new clients in excess of A\$1.3 million.

These recent sales developments, in both Keytone's proprietary brands and private label portfolio, continue to validate the credentials of the Company in its core markets, including China. Following the now complete acquisition of Omniblend and subsequent acquisition of Super Cubes, Keytone has a wide-ranging manufacturing and product range capability presenting a substantial opportunity for the Company, given the Company's Chinese channels, the significant distribution footprint of Super Cubes and other global sales channels. Keytone looks forward to updating the market on further sales developments and initiatives as they come to fruition.

Executive Leadership Changes

During the quarter the former Chief Executive Officer of the group, James Gong, moved into a role in the Company's wholly owned subsidiary Keytone Enterprises (NZ) Company Limited as Chief Executive Officer New Zealand in order to focus on sales in international markets, particularly China. Danny Rotman, CEO of Keytone Dairy's wholly owned subsidiary Omniblend Pty Limited ("Omniblend"), has been appointed to the position of Group Chief Executive Officer of Keytone Dairy.

The incoming Chief Executive Officer, Danny Rotman, has extensive experience and expertise in the powdered dairy and health and wellness sector having successfully and profitably grown Omniblend to a \$32m business in FY18. Danny has run Omniblend since its inception, overseeing its strategic growth in the manufacture of formulated, high value and complex health and wellness dairy based powders while simultaneously expanding into the ready-to-drink market through the greenfield development of a UHT plant. Danny has a proven track record of identifying and commercialising product innovation in the sector, both for proprietary brands and third-party private label clients. Through Danny's leadership the Omniblend business has become a leading profitable Australian product developer and contract manufacturer of health and wellness products. Danny is a qualified lawyer and holds a Bachelor of Commerce/Law (Honours) from Monash University.



Other

As at 31 October 2019, 119,267,442 Performance Shares are on issue. No performance share vesting or conversion milestones were met during the period, and no performance shares were redeemed during the period.

	Performance Shares on issue at start of period or issued through the period (A)	Performance Shares converted to KTD shares during the period (B)	Performance Shares expired during the period (C)	Performance Shares on issue at the end of the period (A) – (B) – (C)
Class A ¹	16,500,000	0	0	16,500,000
Class B ²	16,500,000	0	0	16,500,000
Class C ³	16,500,000	0	0	16,500,000
Class D ⁴	23,255,814	0	0	23,255,814
Class E ⁵	23,255,814	0	0	23,255,814
Class F ⁶	23,255,814	0	0	23,255,814
Total	119,267,442	0	0	119,267,442

* * * * *

Further Information

Jourdan Thompson
Chief Financial Officer, Keytone Dairy Corporation Limited
Email: investors@keytonedairy.com
Tel: +612 9969 9690

1 Each Class A Performance Share will convert into one share upon Keytone Enterprises (NZ) Company Limited achieving, \$3,000,000 of earnings before interest, taxes, depreciation and amortisation (EBITDA) in any financial year occurring on or before 31 March 2022.

2 Each Class B Performance Share will convert into one Share upon Keytone Enterprises (NZ) Company Limited achieving, \$6,000,000 of EBITDA in any financial year occurring on or before 31 March 2022.

3 Each Class C Performance Share will convert into one share upon (I) the shares achieving a 30-day volume weighted average price per share exceeding \$0.30, and (II) Keytone Enterprises (NZ) Company Limited achieving, in relation to Keytone, \$6,000,000 of revenue in any financial year occurring on or before 31 March 2022.

4 each Class D Performance Share will convert into one share upon the Omniblend Pty Limited achieving, in relation to the Omniblend Group, \$2,600,000 of earnings before interest, taxes, depreciation and amortisation, in any financial year occurring on or before 31 March 2022

5 each Class E Performance Share will convert into one share upon the Company achieving a volume weighted average price of its shares over a period of 30 consecutive trading days upon which the shares are traded that exceeds \$0.65 and, in relation to the Omniblend Group, \$50,000,000 of annual revenue, in any financial year occurring on or before 31 March 2023

6 each Class F Performance Share will convert into one share upon the Company achieving a volume weighted average price of its Shares over a period of 30 consecutive trading days upon which the Shares are traded exceeding \$1.00 and, in relation to the Omniblend Group, \$100,000,000 of annual revenue and \$7,500,000 of earnings before interest, taxes, depreciation and amortisation, in any financial year occurring on or before 31 March 2023



About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Ltd is an established manufacturer and exporter of formulated dairy products and health and wellness products. Keytone Dairy's wholly-owned subsidiary Omniblend is a leading Australian product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink health and wellness-based product capability. In addition to Keytone Dairy's own brands, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit www.keytonedairy.com for further information.

ENDS



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

KEYTONE DAIRY CORPORATION LIMITED

ABN

49 621 970 652

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,477	7,913
1.2 Payments for		
(a) research and development	(3)	(4)
(b) product manufacturing and operating costs	(5,162)	(6,265)
(c) advertising and marketing	(108)	(183)
(d) leased assets	(87)	(87)
(e) staff costs	(1,625)	(2,212)
(f) administration and corporate costs	(595)	(1,664)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	64
1.5 Interest and other costs of finance paid	(17)	(17)
1.6 Income taxes paid	(377)	(377)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	8	8
1.9 Net cash from / (used in) operating activities	(1,460)	(2,824)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,222)	(1,924)
(b) businesses (see item 10)	(8,038)	(8,038)
(c) investments	(100)	(100)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	(9)	(9)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(9,369)	(10,071)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	18,000	18,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(1,075)	(1,075)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(3,653)	(3,653)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	13,272	13,272

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	7,694	9,768
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,460)	(2,824)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9,369)	(10,071)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	13,272	13,272

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(14)	(22)
4.6	Cash and cash equivalents at end of quarter	10,123	10,123

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,123	7,694
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,123	7,694

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

344

-

Salary for the executive director and director fees to non-executive directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

NA

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,900	1,500
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The above loan facility is from Commonwealth Bank of Australia to fund the purchase of plant and equipment. The interest rate varies from 5.33% to 5.98% and the loan is secured against the plant and equipment purchased.

9. Estimated cash outflows for next quarter*	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	6,373,634
9.3 Advertising and marketing	100,000
9.4 Leased assets	130,450
9.5 Staff costs	2,039,959
9.6 Administration and corporate costs	602,490
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	9,246,533

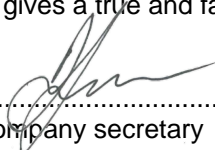
* Note Section 9 relates to gross operational cash outflows and does not include cash inflows from generated sales and other income. The increase in product manufacturing and operating costs correlates to anticipated increase in sales, including the first quarter of full consolidation from the operations of Omniblend and Super Cubes.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Omniblend Pty Ltd	
10.2 Place of incorporation or registration	Australia	
10.3 Consideration for acquisition or disposal	(i) \$8,050,415 cash payment (ii) An issue of an aggregate of 23,255,814 shares in Keytone Dairy Corporation Limited at a price of \$0.43 per share (iii) An issue of an aggregate of 23,255,814 Class D Performance Shares, 23,255,814 Class E Performance Shares and 23,255,814 Class F Performance Shares, convertible into shares upon the satisfaction of the performance milestones.	
10.4 Total net assets	\$5,502,807	
10.5 Nature of business	Manufacturer of high value, formulated, blended power products and long-life UHT drinks, specialising in the health and wellness sector	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



 Company secretary

Date: 30 October 2019

Print name: Dean Jagger

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.